

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



August 9, 1991

ALL-COUNTY LETTER NO. 91-79

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: EARLY FRAUD DETECTION/PREVENTION PROGRAM

The purpose of this All-County Letter is to implement the portion of Senate Bill 724 (Maddy) which established the Early Fraud Detection/Prevention (EFD/P) program with 100 percent State and Federal funding. All Counties who wish to participate, and for which it is cost-effective as determined by the Department, are eligible to participate.

Full State and Federal funding will be provided to Counties who submit and have approved EFD/P plans. Plans should be submitted to the Department, following procedures described in this letter, as soon as possible in order to capture the State and Federal funds for EFD/P.

An EFD/P program provides for investigative personnel to be placed with intake units in order to provide expeditious investigative service to those units. The EFD/P program is separate and parallel to intake and must not interfere with the intake procedures, or delay the payment of benefits.

Each County must submit an operating plan to the Department for review including those counties operating a plan under existing authority. Each plan must contain the following minimum requirements:

1. No intimidation of applicants or recipients shall occur, either by referral or threat of referral for a fraud investigation.
2. Applicants shall not be referred for a fraud investigation until they have completed and signed the application for aid.
3. The referral and investigation shall not delay the receipt of aid, including immediate need payments, for eligible applicants and recipients.

4. Uniformed investigators shall not be used by any County Welfare Department for its fraud prevention program.
5. The County Welfare Department shall abide by the confidentiality requirements in Section 10850 and the requirements and protections in the California Right to Financial Privacy Act under Chapter 20 (commencing with Section 7460) Division 7 of Title 1 of the Government Code.

In addition, the operating plan shall provide that there will be a referral for this service when there is reason to believe that a person, on behalf of himself or herself or others, has done any of the following:

1. Knowingly, and with intent to deceive or defraud, made a false statement or representation to obtain benefits, to obtain a continuance or increase of benefits or to avoid a reduction of benefits.
2. Knowingly, and with intent to defraud, failed to disclose a fact which, if disclosed, could result in a denial, reduction, or discontinuance of benefits.
3. Accepted benefits knowing he or she was not entitled to those benefits, or accepted any amount of benefits knowing the amount of benefits received was greater than the amount to which he or she was entitled.
4. Made any statement which he or she knew not to be true with reckless disregard of the truth, for the purpose of obtaining, continuing, or avoiding a reduction or denial of benefits.

Counties shall make referrals when any of the following occurs:

1. An overpayment or overissuance of benefits, or both, which resulted from an applicant's failure to report information pertinent to eligibility or benefits.
2. A questionable situation exists and the applicant or third party acting on behalf of the applicant will not cooperate in providing necessary verification of information which would affect the applicant's eligibility or the amount of benefits for which the applicant is eligible.

3. The County Welfare Department staff person finds conflicting information which could affect the applicant's eligibility or the amount of benefits for which the applicant is eligible, and any further action on the part of that staff person could jeopardize the investigator's ability to investigate.
4. The County is made aware of any situation involving the applicant that could involve embezzlement, collusion, conspiracy, trafficking, black marketing, or any other general program violations.
5. The County is made aware of any situation in which the applicant may have forged, may have caused the forgery of, or is using a forgery of, any warrant or authorization to participate which has been negotiated.
6. The County welfare program staff person has received an allegation of fraud with respect to the applicant from any governmental agency.
7. The County has received a complaint containing facts which allege that a crime involving a public social services program including, but not limited to, fraud, perjury, trafficking, or embezzlement, may occur.

County plans must contain a description of the local program, including data on the number of staff, their classifications, and physical locations. Also, copies of referral documents, a description of the statistical tracking system to be utilized, etc., must be included.

An example of an EFD/P operating plan is attached to this correspondence.

Activities eligible for full State/Federal funding are those which prevent aid payments from being made by the detection of fraud prior to their issuance. Referrals to determine whether an overpayment/overissuance has occurred are eligible for normal State/Federal funding as part of the ongoing County fraud programs.

Initial staffing guidelines will be built around the Department's experience with the 23 Counties that are currently operating EFD/P programs. An average of one program position per 400 aid applications per month, or significant portion

thereof, is the general guideline. Aid applications are defined as the sum of all AFDC and NAFS applications. Annual re-applications and applications for supplemental payments may be considered in the cost-effectiveness analysis of the plans.

Adjustments in this ratio will be made upon request and documentation. Geographic considerations may be an adjustment factor.

Absent other evidence, the monthly number of applications received, averaged over FY 1990-91, will be the benchmark for initial program staffing. Fractional positions will be considered, particularly in small Counties.

Counties are required to address in their operating plans how EFD/P will operate with regard to Homeless Assistance, refugee programs, and similar special circumstances of AFDC and NAFS. SB 724, Section 6, requires that counties with EFD/P programs refer to it all questionable applications for Homeless Assistance.

The 400 application benchmark may prove inadequate in any given department. The cost control process will capture increased needs for this program activity.

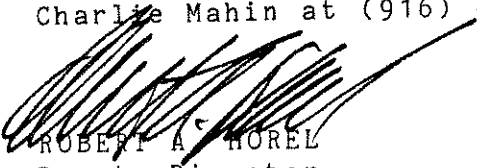
For those County EFD/P programs that the Department deems cost-effective, the Department will pay 100 percent of the non-federal share of the AFDC and Food Stamp administrative costs of the program.

Plans should be submitted to:

Fraud Program Management Bureau  
744 P Street, M.S. 19-26  
Sacramento, CA 95814

Counties should submit their plans as soon as possible. Funds will not be released until the County's plan has been approved. Claiming, time study forms, and fiscal instructions have been provided under a separate letter.

If you have any questions or concerns, or if you wish any assistance in developing a plan, please contact Rick Tibbetts or Charlie Mahin at (916) 445-0031.

  
ROBERT A. HOREL  
Deputy Director

Attachment

cc: CWDA

COUNTY  
WELFARE FRAUD EARLY DETECTION/PREVENTION PLAN

In The  
Aid for Families with Dependent Children and Food Stamps  
Programs

Submitted pursuant to Sections 11055.5 and  
18902.5 of the Welfare and Institutions Code

Plan Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

Approved for Submission By: \_\_\_\_\_  
Director \_\_\_\_\_ County  
Department of \_\_\_\_\_.

General

Our intent is to create a program of joint effort between intake eligibility workers and welfare fraud investigative staff in the early identification of possible fraudulent applications. This would be accomplished through the physical co-locations of investigative staff with intake eligibility staff in order to: (1) Generate immediate investigative referrals, (2) Provide for the timely completion of intake investigations and (3) Encourage prompt feedback from investigative staff to intake personnel.

1. Early Fraud Unit: Structure

- a. We propose utilizing the \_\_\_\_\_ classification(s).
- b. We propose staffing the unit with \_\_\_\_\_ of these positions. Appropriate supervisory and clerical support will be provided, costed to the program per our cost allocation plan (CAP).
- c. These positions will be assigned to our district offices consistent with the caseload of that office. Smaller districts will receive service via an Early Fraud staff visit on a rotating basis.

2. Special Provisions

- a. Referrals will not be made before the applicant(s) has signed the application for aid.
- b. No intimidation, based on fraud allegations, shall occur, whether by referral or threat of referral, prior to the completion of the application.

- c. Intake fraud referrals and investigations shall not delay the timely receipt of aid (including need payments).
- d. No uniformed investigators shall be employed.
- e. The county shall maintain separate statistics, in accordance with instructions for the DPA 266 in Division 26 of the Departments Operations Manual.
- f. The County Welfare Department will abide by the confidentiality requirements in Section 10850 and the requirements and protections in the California Right to Financial Privacy Act under Chapter 20 (commencing with Section 7460) Division 7 of Title 1 of the Government Code.

### 3. Referral criteria

Intake personnel shall make a referral to the Early Fraud Detection Program (EFDP) when there is reason to believe that a person, on behalf of himself or others, has done any of the following:

- a. Knowingly, and with intent to deceive or defraud, made a false statement or representation to obtain benefits, to obtain a continuance or increase of benefits or to avoid a reduction of benefits.
- b. Knowingly, and with intent to defraud, failed to disclose a fact which, if disclosed, could result in a denial, reduction, or discontinuance of benefits.
- c. Accepted benefits knowing he or she was not entitled to those benefits, or accepted any amount of benefits knowing the amount of benefits received was greater than the amount to which he or she was entitled.
- d. Made any statement which he or she knew not to be true with reckless disregard of the truth, for the purpose of obtaining, continuing, or avoiding a reduction or denial of benefits.

In addition, the county will make referrals when any of the following occurs:

- e. An overpayment or overissuance of benefits, or both, may result from an applicant's failure to report information pertinent to eligibility or benefits.

- f. A questionable situation exists and the applicant or third party acting on behalf of the applicant will not cooperate in providing necessary verification of information which would affect the applicant's eligibility or the amount of benefits for which the applicant is eligible.
- g. The staff person finds conflicting information which could affect the applicant's eligibility or the amount of benefits for which the applicant is eligible, and any further action on the part of that staff person could jeopardize the investigator's ability to investigate.
- h. The County becomes aware of any situation involving the applicant that could involve embezzlement, collusion, conspiracy, trafficking, black marketing, or any other general program violations.
- i. The County becomes aware of any situation in which the applicant may have forged, may have caused the forgery of, or is using a forgery of, any warrant or authorization to participate which has been negotiated.
- j. The County welfare program staff person has received an allegation of fraud with respect to the applicant from any governmental agency.
- k. The County has received a complaint containing facts which allege that a crime involving a public social services program including, but not limited to, fraud, perjury, trafficking, or embezzlement, may occur.

#### 4. Cost-benefit analysis

The projected cost benefit analysis is estimated as follows:

##### Annual Costs:

Salary and Benefits \_\_\_\_\_

Support Cost/Indirect \_\_\_\_\_

TOTAL \_\_\_\_\_

##### Savings:

Based on \_\_\_\_\_ county's experience (or the statewide average of 10% referred), we expect \_\_\_\_\_ applications to be referred to EFDP annually. Of these we expect \_\_\_\_\_ to be denials or reductions (40% is statewide average).

Savings are based on the average AFDC/FS and Non-Assistance Food Stamps (NAFS) grant in the County. The average AFDC grant is \_\_\_\_\_ and the average NAFS entitlement is \_\_\_\_\_. The average PAFS entitlement is \_\_\_\_\_.

Projections are that each AFDC and PAFS case withdrawn or denied would have been aided for 20 months, and each NAFS would have received aid for 9 months (statewide averages).

\_\_\_\_\_ cases X \_\_\_\_\_ (Grant) X \_\_\_\_\_ 20 months = \_\_\_\_\_ (AFDC)

\_\_\_\_\_ cases X \_\_\_\_\_ (Grant) X \_\_\_\_\_ 20 months = \_\_\_\_\_ (PAFS)

\_\_\_\_\_ cases X \_\_\_\_\_ (Grant) X \_\_\_\_\_ 20 months = \_\_\_\_\_ (NAFS)

Cost avoidance for first full year = \$ \_\_\_\_\_.

Projected cost of program = \$ \_\_\_\_\_.

Net Savings = \$ \_\_\_\_\_.

##### 5. Referral material

See attached proposed Early Fraud Detection Program document



REFERRAL TO WELFARE FRAUD EARLY DETECTION/PREVENTION PROGRAM

CASE NAME:

STATE NUMBER:

ADDRESS:

TELEPHONE NO.:

DATE:

APPLICATION SIGNED (DATE)

FOR: ( ) AFDC ( ) PAFS ( ) NA-FS

ELIGIBILITY WORKERS NAME:

WORKER NO:

EXT.:

REASON FOR REFERRAL: